



a report from

2nd congressional district of arizona

Vol. XX, No. 5

June-July, 1982

Reagan: The First 500 Days

Since the time of Franklin Roosevelt, Americans have traditionally looked to the First 100 Days of a new Administration to gauge its tone, its direction, its spirit. The number of days is arbitrary; in FDR's time, a severe emergency dictated fast action. It would have been surprising to have had no surprises in that particularly grim period of our history.

It may be more realistic, however, to look at an Administration's First 500 Days. That time frame, in fact, may be a much better measure of the progress and direction of a new President, because much of the second 500 days is spent consolidating the gains of the first 500 days (and much of the final 461 days is spent gearing up for the next election).

The Reagan Administration has completed its First 500 Days in office, and it's a good time to take a look at where the "New Beginning" promised by this President has led us, and at where we go from here.

In his first year, the President secured congressional approval of some significant budget and tax initiatives and some dramatic shifts in domestic and foreign policy. The President had some impressive victories. Let's take a look at the score.

First, the rate of inflation has dropped sharply in recent months. Consumer prices rose a modest 6.6 percent between April, 1981, and April, 1982. Prices fell in March, but were on the upswing again in May.

Second, we have increased military pay and benefits, recruiting is up and so is the supply of essential military materiel.

Third, there has been a significant drop in the use of imported oil by the United States. We now import about 5.5 million barrels of oil a day -- an impressive decline from the 7 million barrels a day we were using in 1980.

Finally, the President has succeeded in cutting taxes that in turn promises to cut federal tax collections by \$750 billion, over the next five years.

So far, not too bad. But as an oldtimer out in Yuma used to tell me, "When you're tellin' me somethin' ain't half-bad, which half are you tellin' me about?" There is another half to the story.

Many economists are skeptical about the prospects for lowered inflation in the long run. It is a fact that prices tend to rise more slowly during economic downturns, and some prices even fall. But when a recession ends and recovery begins, prices almost always shoot up again. And if we can't get future deficits well below the \$100 billion level, that scenario doubtless will be replayed. Bond market folks already are betting that the deficit situation won't improve, and that's why interest rates are stuck at near-record highs.

We've made improvements in our national defense posture, and we need to keep upgrading our conventional forces and the quality of our volunteer army. But we lack a coherent defense policy and one that clearly spells out what we need, and why we need it. Gen. David Jones, the retiring chairman of the Joint Chiefs of Staff, told a National Press Club audience recently that Americans have a preoccupation with exotic weapons systems that leads us to build the weapon before we decide how it will fit our strategy or our tactics. Jones believes the approach should be the other way around. I agree.

The short-term energy outlook is bright -- but it remains only short-term. Oil supplies last year were plentiful, but the picture continues to change. When energy prices fell worldwide last year, OPEC simply cut back on production. When the economy picks up again, the American demand for oil is likely to pick up. The oil glut could fade -- gas prices, in fact, have already started to inch upward in some parts of the country.

A few years ago, the present director of the Office of Management and Budget, David Stockman, then a member of Congress, took a look at the world oil market and proclaimed that OPEC was dead. At the time, oil was \$12 a barrel. Within two years, the price of oil, worldwide, tripled.

So let's not kid ourselves. We're not out of the energy woods yet. And if that's true, we had better think again about the proposal to dismantle the Department of Energy, and about those budget cuts knocking out solar power and renewable energy research.

Finally, a word about tax relief. We all want tax relief, but the question is, can we afford it? Put another way, when the federal government is already running record deficits, who's going to pay for the tax cuts?

We will. All of us. We'll pay for it in the form of a bigger national debt, more government borrowing and high interest rates that promise to choke off sustained economic growth. If that isn't enough, state, county and local governments, reeling from the pinch of the federal treasury, are scrambling to find new taxes to make up the difference.

I've been troubled by this notion of borrowing money to give ourselves a tax break. Faced with mounting deficits, even the President has expressed his willingness to raise an additional \$125 billion in revenue over the next three years. The question no longer is whether last year's tax cut went too far. It did. Both sides now agree that if the budget is to be balanced anytime soon, Congress will have to repeal some of the tax relief okayed last summer. The question now is how much, and in what form?

If the good news about inflation, defense, energy and taxes is tentative, the bad news about the economy is not.

Unemployment in the United States is at a 40-year high. Some 11 million Americans are out of work -- 9.5 percent of the work force. Arizona isn't far behind: the latest figures for our state show our rate of unemployment standing at 8.4 percent. Principal industries like automobiles, housing, lumber and copper have been strangled.

This time, unemployment is not an isolated problem. It's not just South Succotash that's suffering. It's Seattle, Detroit, Denver, Birmingham, Tucson, Youngstown and Phoenix.

This is not something overblown by the press -- on the contrary, it would be a mistake to blame the messengers for the bad news. It's a real, human problem -- especially for people like the 56-year-old copper worker who wrote me recently telling me he can't find another job. He has no marketable skills. And if he isn't hired back at his old job, he has nowhere to turn.

A lot of Americans suddenly have nowhere to turn. This country treasures the work ethic, and I believe there's a lot to be said for solid, honest labor. I also think it's pretty cruel to tell 11 million Americans every morning that we're sorry, but you **can't** work, because there are no jobs. People who are out of work will tell you there's something a lot worse than taxes -- having no income on which to pay taxes.

There are other problems.

One is the federal deficit. During the 1980 campaign, candidate Ronald Reagan said we could cut taxes, increase defense spending and still balance the budget by 1983. That's changed. Everyone now agrees that the tax and spending program adopted last

year, if allowed to stand, will crank out a \$182 billion deficit by 1983. That's nearly three times that of the biggest deficit ever, \$66 billion, under the Ford Administration.

In fact, unless changes are made in last year's budget policies, this Administration will rack up four years of deficits totaling \$749 billion -- more public debt than accumulated by every President from George Washington through Richard Nixon!

Last year, the President said he wanted to cut government spending as a percentage of the national output of goods and services, from 23 percent in 1981 to 18 percent by 1985. That's not happening. In fact, government spending as a percent of national output is expected to rise, exceeding 24 percent this year -- the year of the first Reagan budget.

What happened?

We cut domestic spending, but increased defense spending. Meanwhile, the recession boosted claims for unemployment compensation and high interest rates continue to push up the cost of the national debt. The net result: government is taking an increasing share of the national output, not less.

It's fair to say that this Administration inherited a depressed housing market, but things have gotten worse, not better. New housing starts in April were 30 percent below last year's level. But the Administration is content to urge homebuilders and potential homeowners to just be patient -- while rejecting congressional efforts to enact emergency housing industry aid.

The President proposed sharp cuts in aid to primary and secondary schools last year, including funds for the education of the handicapped and disadvantaged. This year, the President wants still more cuts, including the elimination of guaranteed student loans for graduate students and cuts in financial help for economically disadvantaged undergraduates. Our commitment to educational opportunity in this country has been fundamental, and what we're being asked to do now is to retreat.

The Reagan Administration has proposed substantial reductions in federal highway aid, asking for a \$400 million cut for 1982 and for another \$400 million cut next year. Amtrak and Conrail service are slated for cuts. Taken together, these cutbacks point to a future crisis: state and local governments already are finding it difficult to meet highway maintenance costs -- a few states, like Arizona, have been hit by serious floods in the past few years that left damage to highways in the multimillion dollar range.

More seems to be falling through the President's "safety net" than is being caught by it. Earlier, the President talked of the need to exempt Social Security, Medicare, Head Start and other programs from budget cuts. That's changed. The President this year endorsed a Senate proposal calling for a \$40 billion cut in Social Security benefits over the next three years. He endorsed a House proposal calling for \$23 billion in Medicare cuts over the next three years. Head Start is also targeted for cuts.

If Americans are not to care for their own -- who, then?

As a conservationist and as chairman of the Committee on Interior and Insular Affairs in the House of Representatives, I'm deeply concerned about the direction of the Administration's environmental policy. I don't want to see the accomplishments of earlier Administrations -- Republican and Democratic alike -- arbitrarily dismantled. But that's what's happening.

The Environmental Protection Agency, created under a Republican Administration, is slated for huge cuts. A long-standing policy of setting aside wilderness for preservation, a policy that began 80 years ago under Teddy Roosevelt, a Republican, is coming under fire. The Clean Air Act, which always attracted bipartisan support, is threatened; the President wants to relax standards that have helped reduce levels of carbon monoxide in our air.

The President came into office pledging a new direction and a sharper focus for our foreign policy. Despite that commitment, our policy seems more fragmented than ever. The Falkland Islands War left our Latin America relations in a shambles. Political and economic differences continue to strain our relations with our allies in Western Europe, and the recent fighting in the Middle East has shown our influence to be seriously weakened. In tiny El Salvador, which has somehow managed to become a major focus of U.S. foreign policy, the government is suspending political and economic reforms amid continuing reports of large scale human rights violations.

Initiatives in foreign policy, which each new Administration struggles to gain, are slipping away. We find ourselves more and more at the mercy of foreign conflicts and events that are seemingly beyond our control. American foreign policy seems more and more a response to crises rather than a way to avoid them.

One of my greatest disappointments has been the failure of this Administration to seek early resumption of strategic arms limitation talks with the Soviet Union. In the absence of negotiations, we have continued to pile up missile upon missile in the hope that someday, all of these weapons will be dismantled. It's unrealistic to

expect that nations that spend billions of dollars on new weapons are doing so with the eventual aim of dismantling what they've built. It's important that we seek an immediate, negotiated freeze on the deployment and development of new weapons with the Soviet Union.

* * *

So where do we go from here?

If we're really serious about reducing the federal deficit, there's only one way to do it, and that's to do it. Most economists and most businessmen will tell you that a Constitutional amendment to balance the federal budget won't work. At best, it provides a mechanism for members of Congress to have it both ways -- they can vote for a budget with a huge deficit and they can endorse an amendment that seems to promise economy and prudence. It's a cruel trick that evades the serious business at hand.

We can't lull ourselves into believing that because the energy crunch seems to have eased that it won't crunch again. It will, and now is not the time to shove conservation and solar energy research aside.

We need to simplify our tax code, eliminating many of the tax breaks and wasteful shelters and exemptions that have only increased taxes for working folks.

The arms race is a marathon without end, and one with no winners. We need to sit down with the Soviet Union and start talking.

We must work to insure that the social "safety net" doesn't become a sieve.

And let's not have our uniquely American approach to public lands -- our parks, our wilderness, our rivers -- torn apart by partisan politics.

As I mentioned at the beginning of this brief report, President Reagan's First 500 Days are not without achievement. I'll help him when I think he's right and when he's wrong, I'll say so.

But there is unfinished business.

I want to get on with the job.

Morris K. Udall

Rep. Morris K. Udall
House of Representatives
Washington, D.C. 20515



Morris K. Udall

M.C.
Bk. Rt.
CAR-RT SORT

**POSTAL CUSTOMER
2nd CONGRESSIONAL DISTRICT
ARIZONA**

Postmaster: Do Not Deliver Duplicates